



Monday 21 May 2012

## **Sun Completes Purchase of Initial 2.5%WI in 12,293 Gross Acres, Adjacent to Sun's Delta Oil Project, From Amerril Energy LLC**

- Sun Resources has completed its title due diligence on 12,293 acres of oil and gas leases owned by Amerril Energy LLC (Amerril),
- Sun has completed the purchase of an undivided 2.5% working interest (WI) and a 1.875% net revenue interest (NRI) in the 12,293 gross acres from Amerril in exchange for the payment of US\$768,313.
- This is the first step in Sun's purchase of a 50%WI (37.5% NRI) in these 12,293 gross acres of oil and gas leases which are immediately adjacent to Sun's existing Delta Oil Project.
- When combined with Sun's existing Delta Oil Project acreage (8,347 acres with a 100%WI), this purchase will deliver to Sun a gross acreage position of 20,640 acres (14,494 net acres) in the rapidly developing Woodbine oil play.
- These 12,293 acres of leases are currently the subject of advanced farm-out negotiations with a number of potential oil company farminee joint venture partners.
- Amerril Energy, the project vendor, will become Sun Resources' largest shareholder following completion of the acquisition.

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The Board of Sun Resources NL (**Sun Resources, Sun** or the **Company**) (ASX:SUR) is pleased to advise that it has completed due diligence and has paid an initial amount of US\$768,313 to Amerril Energy LLC, the US oil subsidiary of Chinese corporate Qingdao Kingking Group (**Amerril**), to purchase from Amerril an initial, undivided 2.5% working interest (**WI**) and 1.875% net revenue interest (**NRI**) in 12,293 acres (5,122 hectares) of oil and gas leases which are immediately adjacent to Sun's existing Delta Oil Project.

This payment is the initial step in the legally binding Sale and Purchase Agreement between Sun and Amerril to purchase from Amerril an undivided 50%WI and 37.5%NRI in 12,293 gross acres of oil and gas leases (6,147 net acres) which are located immediately adjacent (see Figure 1 below) to Sun's existing Delta Oil Project. Details of the acquisition, including the remaining conditions precedent, were announced to the ASX on 7 May 2012.

When combined with Sun's existing Delta Oil Project acreage (8,347 acres with a 100%WI), completion of the acquisition will deliver to Sun a gross acreage position of 20,640 acres (8,600 hectares) or 14,494 net acres. All these leases are within the rapidly developing Woodbine play, on the prolific Eagle Ford Shale Oil Fairway, where:

- strong oil production rates (more than 1,000bopd IP with modest decline rates) are being reported in nearby horizontal production wells, such as the Petromax acreage nearby to the south-east (Figure2);
- there is strong industry interest in nearby Woodbine acreage. The Woodbine has been identified by Floyd Wilson, former head of Petrohawk and currently head of Halcón, as one of the top developing tight oil plays in the US; and
- major oil companies such as Gatar, Halcón, Petromax, Encana and Chesapeake are active in acquiring Woodbine acreage.

Sun Resources' Managing Director, Matthew Battrick commented:

*"We are pleased to have completed this first step in the process to acquire a material interest in such a large and high quality lease position, immediately adjacent to our existing Delta Oil Project, in this highly prospective Woodbine area of the Eagle Ford Shale Oil Trend".*

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*Information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 30 years' experience in the practice of geology and 31 years' experience in petroleum geology.*

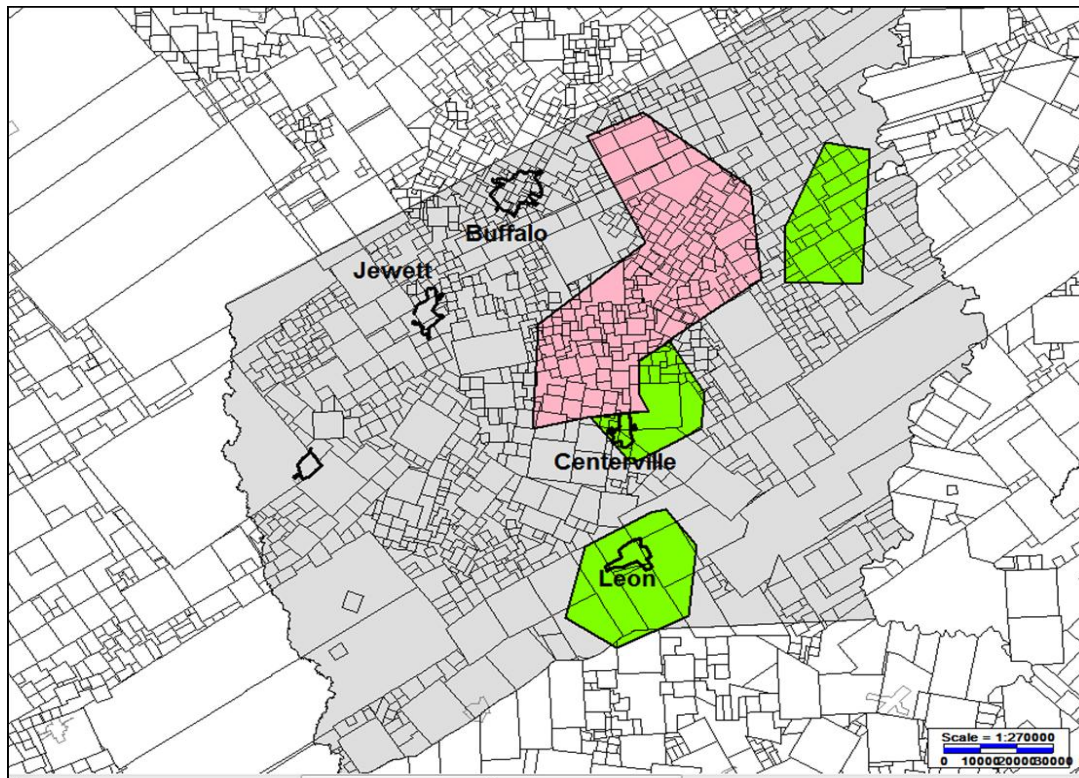
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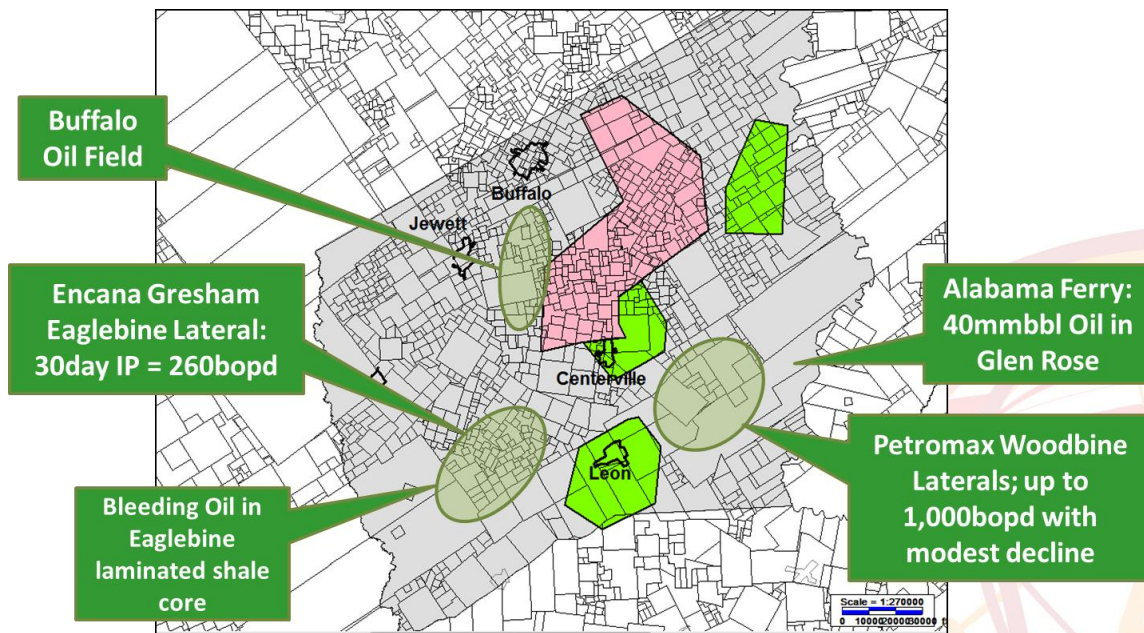
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**Figure 1: Location of Delta Oil Project lease areas (shaded pink) to a current total of 8,347 net acres (100%WI) and the acquisition lease areas totalling approximately 12,059 gross acres (shaded green). The County limits of Leon County, Texas are shaded grey.**



**Figure 2: Lease locations of recent successful Woodbine drilling and production. Other relevant nearby conventional oil fields (Buffalo and Alabama Ferry) are also noted.**

## About the Delta Oil Project

All of Sun's Delta Oil Project leases are located in Leon County, Texas in the rapidly developing Woodbine play within the prolific Eagle Ford Shale trend. In this new tight oil play, horizontal fraced wells have obtained significant oil production from brittle, sandy units (**Woodbine Sands**) situated near the base of the Eagle Ford Shale at relatively shallow depths.

During discussions with other oil companies and drilling contractors, most participants in Leon and Madison Counties are having greatest success with horizontal well bore lengths of 6,000-7,000 feet (1,830-2,130 metres) delivering initial production rates of 1,000bopd and more after multi-stage fracture stimulations, or "fracs" and draining lease areas of at least 120 acres. These wells are being drilled, fraced and brought into production for an investment of approximately US\$5.5m to US\$6.5 million. Companies are also reporting that oil production decline rates are more modest than previously forecast, adding to the strong commercial potential in the Woodbine play.

Recent industry research has listed the following characteristics of the Woodbine oil play:

- Organic-rich, laminated sand above Buda
- ~40% silica and clastics = natural fractures
- Geologically equivalent to EFS in South Texas
- Modern drilling and well completion skills critical
- Multiple, high quality fraccable sand lenses
- Premium pricing being paid for oil, NGL's and gas
- 10%+ porosity, 4-5% total organic carbon content (TOC)
- Current IP's 3-4 times higher than previous estimates
- Well cost = US\$5.5 to US\$6.5 million
- Spud to Production = 60 to 90 days
- Well Spacing = 160 acres (down from 320 acres)
- Average EUR = 467mboe per well per zone
- Potential fraccable target reservoirs existing from 5,500 to 11,500 feet depth
- Responds to multi-stage fracs (10 to 30 stages)
- High porosity = high storage capacity fraccable sands
- Downdip permeability adequately traps hydrocarbons

The Woodbine presents as normally pressured and organic rich Cretaceous sandstone that sits above Buda and below Eagle Ford. Studies and log data indicate a hydrocarbon bearing formation with high resistivity (oil saturated) and 10%+ porosity (storage capacity).

Permeability is generally low, but horizontal drilling and multi-stage fracs (10 to 30 stages) have proven successful in enhancing well productivity (as high as 1150boepd peak 30-day average). It is possible that some wells have benefitted from contribution from other fraccable zones such as the Austin Chalk.

Generally there is little to no faulting across the Woodbine tight oil play with stratigraphic fingers spread across Leon and adjacent Counties. Substantial vertical production history has, to a large extent, de-risked the Woodbine tight oil play in and around Leon and adjacent Counties.